



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Management Letter

Cochise County

Year Ended June 30, 2006



Debra K. Davenport
Auditor General

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**STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL**

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

June 25, 2007

Board of Supervisors
Cochise County
1415 Melody Lane
Bisbee, AZ 85603

Members of the Board:

In planning and conducting our single audit of Cochise County for the year ended June 30, 2006, we performed the following as required by *Government Auditing Standards* (GAS) and Office of Management and Budget (OMB) Circular A-133:

- Considered the County's internal controls over financial reporting,
- Tested its internal controls over major federal programs, and
- Tested its compliance with laws and regulations that could have a direct and material effect on its financial statements and major federal programs.

All audit findings that are required to be reported by GAS and OMB Circular A-133 have been included in the County's Single Audit Reporting Package for the year ended June 30, 2006. In addition, our audit disclosed an internal control weakness that does not meet the reporting criteria. Management should correct this deficiency to ensure that it fulfills its responsibility to establish and maintain adequate internal controls. Our recommendation is described below.

The County should strengthen controls over its computer system

The County uses a computerized information system to process its financial transactions and maintain its accounting system. To help ensure that the County's computer system is operating effectively and efficiently and system data is secure, it is essential that the County establish effective controls, including written policies and procedures. However, the County had not established effective procedures for managing user access rights. As a result, auditors noted employees with duplicate user identification numbers and terminated employees with active identification numbers. Additionally, the County had not developed and implemented written policies and procedures for program changes and disaster recovery.

Similar recommendations regarding program changes and disaster recovery were previously provided to the County in our Management Letter, dated June 30, 2006.

To help strengthen controls over its computer system, the County should develop and implement written policies and procedures for managing user access rights, program changes, and disaster recovery. These policies and procedures should require the following:

User Access Rights

- Review user access rights at regular intervals and after any changes, such as promotion, demotion, transfer, or termination of employment.
- Immediately remove or modify access rights of users who have changed roles or jobs or terminated employment.
- Maintain the appropriate system access for each employee that is compatible with the employee's job responsibilities.

Program changes

- Maintain evidence that program changes are authorized, analyzed, designed, tested, documented, and approved prior to being placed in operation.
- Obtain and document authorization from user management prior to implementing program changes.
- Have programmers and system operators review and approve the testing methodology for program changes.

Disaster recovery

- Identify critical computer applications and assess the risk of a major computer system or equipment failure.
- Establish and implement a disaster recovery plan that includes the following:
 - Employee assignments and responsibilities.
 - Arrangements for a designated alternate physical facility.
 - Off-site storage locations for the disaster recovery plan.
 - Procedures for testing and updating the plan on a regular basis.
 - Procedures for processing critical transactions, including forms or other documents to use.
 - Arrangements with vendors to support the needed hardware and software requirements.

Board of Supervisors
Cochise County
June 25, 2007
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This letter is intended solely for the information of the Cochise County Board of Supervisors and is not intended to be and should not be used by anyone other than the specified party. However, this letter is a matter of public record, and its distribution is not limited.

Should you have any questions concerning its contents, please let us know.

Sincerely,

Debbie Davenport
Auditor General

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District 1

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May 16, 2007

Debbie Davenport
Auditor General
State of Arizona
2910 N. 44th Street, Suite 410
Phoenix, Arizona 85018-7243

Dear. Ms. Davenport,

In response to the June 30, 2006 management letter findings and recommendations, the County has developed the following corrective actions;

Computer System Controls

User Access Rights

Cochise County Finance Department has a written policy and procedure on user access rights, which has been revised several times since 1998. The County will ensure this policy and procedure are adhered to. The County will also review user access rights quarterly.

Program Changes

Cochise County Information Technology Department developed draft policies and procedures for its computer system in response to the Management Letter dated June 30, 2005. These include a policy for program testing and development, production software libraries modifications and development and testing libraries. There has been a change in leadership in the Department and it will be a priority to implement these policies next year.

Disaster Recovery

Cochise County Information Department developed a draft disaster recovery policy in response to the Management Letter dated June 30, 2005, specifying the disaster recovery team, an annual practical exercise of recovery, and offsite storage for all tapes needed to

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recover file systems. There has been a change in leadership in the Department and it will be a priority to implement these policies next year.

Sincerely,

Lois Klein
Director of Finance